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INDUSTRIAL RECONSTRUCTION IN CHINA

Cabinet Information Bureau

In China modern methods of industry were first adopted in the latter part of the nineteenth century, but progress along this line has been tardy; for even today two-thirds of the products of Chinese industry are hand-manufactured.

Although no detailed statistical data are available on China's industrial conditions immediately before the outbreak of the China Affair, a survey made in 1934 showed that the total number of Chinese industrial establishments with more than 30 operatives (qualified as factories by the Chinese Industrial Law), was 2,435, with capital investments totalling 400,000,000 yuan. The number of factory operatives was estimated at 500,000, producing about 1,280,000,000 yuan of manufactured goods. This means an average capital investment per factory of less than 170,000 yuan--which shows that the average Chinese factory is small in scale and poorly equipped. On the other hand, there are the British, American, Japanese and other foreign industrial enterprises in China, which are operated with about twice the amount of capital that the Chinese invest in their own industrial enterprises. What is more, the foreign-owned plants have the advantage of possessing modern equipment and a high degree of engineering skill.

Light industries such as spinning, flour milling, oil, tobacco, and match manufacturing occupies about 90 per cent of the Chinese industrial field. As for machine-manufactured goods China depends largely upon foreign-owned factories. Another noteworthy fact is that 80 per cent of all industrial plants in China are concentrated in Shanghai, Tientsin, the Wuhan cities, Canton and Tsingtao, where most of the foreign-owned plants are located, as well as over 50 per cent of Chinese factories operated with purely Chinese capital.

The low productivity of Chinese industry has a cramping effect and does not allow the rich industrial resources of the country to be used for her own advantage. Instead such resources have mostly been exported in the form of raw materials to feed the advanced industries in distant parts of the world, and which in turn necessitated the importation of raw materials required for Chinese industry. Furthermore, this low industrial productivity has at best secured to the workers an extremely low livelihood, with the result that Chinese industry has been unable to separate itself from agrarian economy.

A knowledge of the special characteristics of China's industrial structure, as described above, is necessary in order to arrive at a correct understanding of her industry, and will, at the same time, be of assistance in forming an idea of the direction in which the construction of a new East Asia will be effected through Sino-Japanese cooperation, that is, the emancipation of the Asiatic peoples from their present semi-colonial status.

Extent of Destruction

As 80 per cent of the industrial plants in China was concentrated in the five industrial centres, direct damages sustained by them as a result of the hostilities were enormous. In Shanghai, according to statistics compiled by the Social Affairs Bureau of the old Shanghai Municipality in November, 1936, 2,998, or about 55 per cent, out of the 5,525 factories in that city were destroyed. Damages increased still further consequent on the fall of Nantao. All in all, damages to factories in the city were estimated at 800,000,000 yuan. The French Concession escaped destruction, whereas in the International Settlement 70 per cent of the factories clustered about the eastern areas of the city under Japanese jurisdiction were demolished. In Pootung and other districts under Chinese jurisdiction, damages to factories did not exceed 50 per cent, while destruction of such establishments in Chapei and Nantao was almost complete, with the result that the number of factories in the whole of Shanghai was reduced to 26.5 per cent of that before the hostilities. Damages to Japanese spinning mills were not as great as those sustained by Chinese mills, but the Toyoda Spinning Mill was more than half wrecked and the Nikka Spinning Mill in Pootung also suffered considerable damage. Factories on the Yangtze delta escaped with less damage than those in Shanghai, but the productive capacity of those at Wusih and Changchow was reduced by 50 per cent. Small factory-owners in those districts suffered heavy losses when thieves, taking advantage of the confusion, ransacked their establishments.

At Tsingtao, the greatest industrial centre in North China, all Japanese spinning mills, including the Naigai, Fuji, Kungdah, Nisshin, Dai Nippon, Shanghai, Tunghsing, Toyoda and Kokko Spinning Mills were razed to the ground overnight by Chinese troops. Direct damages to Japanese factories at Tientsin were comparatively small, but most of the spinning mills had to suspend operations, reducing their total output to about 53 per cent by the end of 1936. In the three Wuhan cities 41 per cent of the 516 factories took refuge in the hinterland and about 12 per cent were deliberately destroyed. The remaining 47 per cent more or less damaged factories were restored. Severe fighting was chiefly to blame for these devastations, and if losses due to suspension of work were included, the total setback would amount to a staggering figure.

Rehabilitation

The industrial areas thus affected by the hostilities are the strategic districts under the new Chinese Government. It is necessary, therefore, to undertake first of all the rehabilitation of factories, rescue work and maintenance of peace and order in those stricken cities. For this purpose, all the factories which were deserted by their owners have been placed temporarily under the supervision of the Japanese military, or consigned to Japanese interests. Many Chinese factory-owners were able to reopen their plants by the aid of Japanese capital and engineering skill under Sino-Japanese management. This arrangement has attracted no small amount of Japanese capital to China and has helped many a prostrate Chinese factory to regain its feet.

In Shanghai, factories are gradually being rehabilitated. This is particularly true in the foreign settlements where there is now a greater number of factory operatives than before the clash. Even in the eastern section of the settlement, where destruction was heaviest, about 80 per cent of the factories, chiefly Japanese, have been restored. In the area under Chinese jurisdiction, rehabilitation work in Pootung is being carried out most efficiently, and that in Nantao is also making headway. The Japanese spinning mills which suspended operations at the beginning of the war, set to work to reopen immediately after the Chinese forces were driven back and such plants resumed work late in 1937.

Although the damage suffered by Japanese spinning mills at Tsingtao was very great, the first part of the rehabilitation programme was completed early last year, in which roughly 60 per cent of the productive power was restored. The spinning industry in Tientsin, which did not suffer direct damage, has outstripped those of Tsingtao in productivity and is now enjoying unprecedented prosperity. In the Wuhan cities, 11 important factories, representing British and Sino-Japanese capital and others, together with 87 small Chinese plants have been restored. The number of small Japanese industrial enterprises in those cities have quadrupled since 1937.

From Restoration to Construction

With the progress of restoration work, Chinese industry has entered a new stage of development and should therefore expand along modern lines. Under Japan's leadership, a plan is now under way for the systematic development of North China, including the Mongolian provinces, with a view to preventing the infiltration of Communism and stimulating China's productive power. Under this plan, various industries such as coal, iron, coal liquefaction, electric power and salt industries have been placed under economic control, while spinning and other industries were allowed to remain as free enterprises. In November, 1937, the North China

Development Company was organized as a holding company for controlling various subsidiary companies related to such industries. As for free enterprises, they are to be conducted in accordance with the following three basic principles for the establishment of a new order in East Asia: (1) Japan, Manchoukuo and China must avoid economic rivalry; (2) Any enterprise which may call for dual investments will be restricted; and (3) Indiscriminate duplication of enterprises of the same kind must be avoided. Accordingly, policies based on these principles have been formulated to regulate free enterprises.

This policy of regulating industry is intended to promote a healthy development of Chinese industry, and to encourage Sino-Japanese economic co-operation by affording it political and economic security. The declaration of the commander-in-chief of the Japanese expeditionary forces in China on March 18, to the effect that factories under Japanese military supervision are to be restored to legitimate Chinese ownership is animated with the same spirit. Such is the political, economic and military policy of the Japanese Government in the special areas of North China as it is in Central China. Important industries are controlled by the North China Development Company and the Central China Promotion Company, while minor industries may be undertaken as free enterprises.

North China

The method of industrial control is of special interest. Up to the outbreak of the China Affair, a greater part of the iron industry in North China was still undeveloped, and the Shihchingshan refinery had been closed for 20 years. The iron industry is now under the direction of the Lungyen Mining Company, a Sino-Japanese organization established in July, 1939. The Shihchingshan Iron Works has been put into operation since November, 1938, the Yanghuan Iron Works since June, 1939, and the Taiyuan Iron Works since November, 1939, and they are doing very creditably.

As for electric power, up till the outbreak of hostilities, Chinese industry depended upon the local generation of power on a small scale, chiefly for lighting purposes. This is one of the reasons why large electric enterprises did not develop. The electric industry in North China at present is being carried on by the Huapoi Electric Power Company, which was established in November, 1939, and commenced services in February this year, as a subsidiary of the North China Development Company. It supplies Peking, Tientsin and the East Hopei District with electric power. The Company is also in charge of the local power houses under military control, and later on it is destined to control the electric power industry throughout North China.

Salt and Soda

Formerly the manufacture of industrial salt in North China was conducted chiefly by the salt department of the Hsingchung Company. The Huapei Salt Company, which was established in August, 1939, as a subsidiary organization, is now engaged in the development of Changiu salt from the salt-fields near Tangku. The Hsingchung Company operates a soda manufacturing plant at Tangku belonging to the Yungli Chemical Industry Company, which is under military control, but the two concerns are expected to be merged in the near future. Besides this, the Shantung Salt Company, established in February, 1937, is now developing salt-fields in Shantung. All these subsidiary companies are operated either by purely Chinese or Sino-Japanese management.

In Central China, there are 12 subsidiary companies of the Central China Promotion Company. The Huachung Salt Company, established in August, 1939, is developing the salt-fields of Haichou. It also intends to develop new salt fields by directly investing its capital or by accommodating loans. The Huachung Silk-Reeling Company was organized in August, 1939, for controlling silk-reeling and for the manufacture of silkworm egg cards. It now operates 20 factories in Wusih, Suchow, Hangchow, Haining, Anking and Kashing. Electric power and water supply services are conducted by the Huachung Water and Electric Power Supply Company, which was brought into being in June, 1938. The company supplies electric light to about 60,000 users, electric power to about 2,000 and electric heat to about 500 in Chapei, the central section, Nantao, Pootung, Chenju and Woosung in Shanghai. The company is also in charge of electric plants in Wenking, Hangchow, Chinkiang, Hankow, Anking, Changchow, Puhu, Sungkiang, Yangchow and Kiukiang.

A water supply system is maintained at Chapei, Nantao and Pootung in Shanghai. The total volume of water which the company supplies to the city is over 6,200,000 cubic metres a day. In addition to this, the company is in charge of the water works in Hangchow, Chenkiang, Nanking, Hankow and Wuchang.

The development of free enterprises, such as spinning, flour milling, cement, tobacco, and paper manufacturing, and wool weaving, which are operated by machinery, has been as remarkable in Central China as it has been in North China under Chinese and Sino-Japanese management. In Shanghai, Japanese industrial activity before the China Affair was confined to the spinning industry, but since the outbreak of hostilities Japanese capital has financed all kinds of enterprises from flour milling, silk-reeling, lumbering, the manufacture of tobacco, soft drinks, cement, electric bulbs, rubber, automobile, tea, pig's bristles, paulownia oil, and the processing of eggs.

This general survey shows the rapid progress that Chinese industry has been making under Sino-Japanese economic co-operation.

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SUMMARY OF THE PROGRAMME FOR ECONOMIC CONSTRUCTION
EMBRACING JAPAN, MANCHOUKUO AND CHINA

—Announced by the Cabinet Information Bureau on
November 5, 1940—

Basic Purposes

Now that the fundamental national policy of establishing the Greater East Asiatic sphere of common prosperity, which aims at the construction of a new world order, has entered upon a new phase with the conclusion of the Three-Power Pact between Japan, Germany and Italy, the Government, at a recent session of the Cabinet Council, have decided on the Summary of the Programme for Economic Construction Embracing Japan, Manchoukuo and China, with a view to coping with new developments in the situation, and intend hereafter to carry out national policies consistently in conformity with that fundamental national purpose. The objective of the new policy is to realize unprecedented progress in the Greater East Asiatic sphere of common prosperity based upon a comprehensive economic development of the three countries, in accordance with a new outlook on the economic order.

The world economic system of free trade resting upon the basic assumption that peoples and nations everywhere can freely exchange goods is in the process of disintegration. Accordingly, the Japanese system is also called upon to reorganize on a new basis discarding the old structure which is dependent on the old order. In this reorganization, however, Japanese economy must be made a higher, broader and stronger structure, capable of leading the peoples of East Asia to improve their living conditions and to find their respective places in the new world order. What is meant here by "higher" is that the power of life in possession of our nation must be made to create a higher productivity; by "broader" is meant that the sphere of mutual economic dependence must be extended from that of Japan, Manchoukuo and China to that of Greater East Asia and must be firmly established, and by "stronger" is meant that impregnable economic strength able to meet any situation must be maintained by keeping the extent to which Japanese economy is dependent upon other countries to a minimum. To this end sufferings attendant on efforts of renovation must be overcome internally and any pressures and threats from outside be repulsed, by uniting all the forces and resources of the nation and by a determined will. Thus a new East Asiatic economic order under Japanese leadership must be established within about ten years. In this East Asiatic order alone, the economic system not only of Manchoukuo and China but also of other countries of East Asia can be expected to improve and develop to the highest extent.

Essentials of Basic Principles

For the purpose of realizing the task of constructing a new East Asiatic order and thereby ensuring the lasting peace of the world, the processes of the renovation of her internal structure and of the enlargement and organization of her living sphere must be brought into perfect unity. Her basic economic policies must accordingly be established upon the organized planning of the three following processes:

1. Perfection of the reorganization of national economy.
2. Organization and strengthening of Japanese-Manchoukuo-Chinese economy.
3. Enlarged organization of the East Asiatic sphere of common prosperity.

Basic Lines of Policy

1. The objective of the programme for economic construction embracing Japan, Manchoukuo and China is to establish a self-supporting, self-sufficient economic structure within about ten years, in order to strengthen the position of East Asia in the world economy by accelerating the construction of the East Asiatic sphere of common prosperity.
2. Guiding principles on which Japan is to undertake the economic construction programme embracing the three countries lie in the promotion of the general welfare in an ideal state of co-existence and common prosperity through the unitary cooperation of the three countries, in accordance with the high and broad spirit of Hakko Itiu.
3. In order to expedite the economic construction Japan will endeavour to uplift the morale of the nation, renovate the internal structure, augment national strength while rendering assistance to the economic reconstruction of Manchoukuo and China. For this purpose she will strive for the promotion of science and technique and undertake the development of pioneer industries.
4. Manchoukuo, being in an inseparable relationship with Japan, is expected to swiftly perfect and develop important basic industries.
5. China is expected to develop her resources and reconstruct her economic system in collaboration with Japan and Manchoukuo; in particular, progress in communications and transport services, smooth exchange of goods, and development of essential industries and resources are called for. Thus she is expected to contribute to the establishment of the East Asiatic sphere of common prosperity.

6. With a view to adjusting and accelerating the organized planning of economic construction embracing Japan, Manchoukuo and China the administrative machinery relating thereto shall be speedily perfected.

Practical Policies

In view of the fact that Japan, Manchoukuo and China constitute the backbone of the East Asiatic sphere of common prosperity, having thereby the duty to regulate economic relations on the basis of their closest union, the government have decided on essential policies in respect to spheres of industrial activity, labour, finance and banking, exchange, and communications and transport covering the three countries.

Spheres of Industrial Activity

In determining spheres of industrial activity, the conditions peculiar to the three countries and their respective phases of economic development should be considered, thereby effecting decisions from the comprehensive point of view and treating them as an organic whole.

Viewed in that light, Japan should hereafter strive for the promotion of the highest type of precision industry as well as mechanical industry while endeavouring to develop basic industries, such as the heavy, chemical and mining industries.

Manchoukuo is expected to make an epoch-making advance in the mining industry and in electrical undertakings. For the development of her heavy and chemical industries Japan is prepared to offer necessary assistance.

China is expected to develop her mining and salt industries and to undertake large-scale production of raw materials. Since her natural conditions afford much room for the development of heavy and chemical industries, progress along that line is also expected hereafter.

The development of light industries on the Continent must be greatly promoted. In this connection, it is necessary that Japan should readjust her light industries, particularly the fibre and miscellaneous industries. Their removal to the Continent must be seriously considered.

With regard to agriculture in Japan, measures will be taken for the improvement of various systems relating to land, renovation of farm management, betterment and security of the living of farmers and ensuring of the staple food of the people as well as the maintenance of definite numbers in the farm population. Measures will also be taken, in this connection, for the steady development of fishery enterprises and for the rationalization, utilization and conservation of forest resources.

With regard to agriculture in Manchuria, in view of the position that area as a base for the supply of foodstuffs and fodder for Japan, Manchoukuo and China, and as the source of supply to the world of special agricultural products, the increase to the fullest extent of agricultural production is expected. For the purpose of this development, the migration of Japanese agricultural settlers will be facilitated. In respect to agriculture in China, efforts for the assurance of the stable food of the nation must be made. The increase of the production of cotton and other staples is also urgent.

Labour

In order to hold a predominant position in world economy, the place of labour and technique will become increasingly important. For this purpose, their structure in Japan must be radically revised. Moreover, labour power available in each of the East Asiatic countries and regions must be enabled to make its contribution to the improvement of the whole labour force, thereby maintaining the superiority of the East Asiatic sphere in world economy. With this in view Japan intends to perfect a new structure in labour and technique, endeavouring to train and build up the bodies and minds of workers, to provide a thoroughgoing scientific education, to heighten the productivity of labour and to train technicians and skilled workers. Thus the economic construction of Manchoukuo and China will be accelerated and assisted as required by the two countries; Manchoukuo and China will be supplied with technicians and skilled workers capable and necessary for their industrial development and economic construction. Needless to say, the two countries themselves have to train those types of men in view of the importance of technique. It is further required of Manchoukuo that she should plan not merely for the migration to and settlement in the country of labourers from North China but for the establishment of measures for the self-sufficiency of labour as well as the improvement of its management, in particular, in the mining industry.

Finance and Banking

With a view to expediting the construction of national-defence economy, the function of finance and banking also should be made to conform to the national purpose. In other words, it should so function that the materials required by the State may be ensured in quality as well as in quantity. In order to make possible the execution of an industrial programme embracing Japan, Manchoukuo and China, the distribution of capital must be determined according to an organized plan and a system equal to that task be set up. In that connection, there must be perfected a financial mechanism facilitating the storing of staple goods, in keeping with the progress of technique, along with the creation of spheres of industrial activity, and with changes in industrial equipment. Capital required for the three countries must of course be supplied by their own ac-

cumulation. To this end measures must be taken by the three countries for the increase and efficient utilization of such accumulation. With regard to capital necessary for the development of essential industries, Japan is prepared to give assistance in its supply. And the relationship of mutual assistance in international settlements should be established between the three countries as their economic relations become increasingly closer.

Exchange

In respect to exchange in the coming new world order, the principle of commercial trade of the past must be revised to a considerable extent; there must emerge the principle of productive trade, which enables each country, region and economic sphere to supply to others goods required by them in exchange for the goods necessary for its own planned production; and which regulates trade between those countries and regions, not to speak of that between Japan, Manchoukuo and China, in such a manner as will create a mutual, unitary relationship. In so doing, a special agreement for payments between those countries and regions will be required, with a view to facilitating the closer flow of goods between them.

Communications and Transport

With the closer flow of goods between Japan, Manchoukuo and China as well as between the regions in the sphere of common prosperity, systems of communications and transport between the three countries must be perfected and operated by a comprehensive and organized plan, thereby ensuring the security of the whole of the sphere. Accordingly, the connection between land and sea transport services of the three countries must be expedited; a large-scale increase in shipping, control of and connection between air lines, as well as the perfection and extension of electric communication facilities, must be planned.

(Doc. 1529)

C E R T I F I C A T E

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Dated: 12 Aug 1946

/s/ E. E. Danly
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I further certify that Document 1529 contains twelve monthly issues of the "Tokyo Gazette", to wit, January to December 1940.

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